

LOOKING AHEAD

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Major Issues, Challenges, and Concerns

he Department of Commerce faces a number of key challenges. We view the following as being among the most significant, for their importance to our mission or to the Nation's well-being, for their complexity, for their cost, or for the urgency of their need for management improvements.

Increase the Accuracy and Control the Cost of the 2000 Decennial Census

Although the main data collection portion of the 2000 Census has been completed, significant management activities remain underway. These include data dissemination and analysis, property control, and a variety of other logistical and technical issues. The size of the Decennial Census and its impact on many aspects of American life require that we ensure that management of the Census has been conducted effectively.

External Factors Affecting Free Trade

The International Trade Administration (ITA) is facing major external challenges as we enter the new millennium. We are in the midst of the strongest economic expansion in our Nation's history, but the support for free trade has never been more fragile. The protectionism versus free trade debate will continue to be a source of domestic and international contention in the coming years, and economic problems abroad and the rising value of the U.S. dollar could limit the near-term growth of U.S. exports.

Challenges are constantly emerging, with new markets opening, new barriers erected, new firms requiring export assistance, industry dynamics shifting, international organizations and alliances adopting stronger roles, and policy mandates changing. Developments in e-commerce, information technology, biotechnology, the service industry, and environmental technologies are challenging ITA to develop new skills and new approaches to address issues such as intellectual property exports. Additionally, with the emergence and increasing role of international organizations and alliances such as NAFTA, the WTO, OECD, and trade blocs like the European Union, ITA must address new participants in the international trade arena and collaborate when necessary.

ITA must also monitor the more than 400 trade-related agreements that the U.S. has entered into since the early 1980s. Our lack of sufficient numbers of experienced staff, combined with the weakness of analytical and other types of support from other agencies, is hampering the effective enforcement of these trade agreements. The difficulty of obtaining a balanced, comprehensive input from the private sector also presents a challenge to ITA as we seek to assist U.S. businesses in gaining access to international markets.

Enhance Export Controls for Dual-Use Commodities

The Bureau of Export Administration (BXA) administers and enforces controls on the export of dual-use items—goods, technologies, and software—that have both civilian and military uses. The dual-use export control system seeks to balance U.S. national security and foreign policy interests with the need to avoid unduly hampering U.S. trade opportunities and competitiveness. Congress and exporters have significant interest in how BXA meets the challenge of balancing the national security and international trade interests. Enactment of a comprehensive revision of the export control system's basic authorizing law—the Export Administration Act—is needed to enable BXA to continue to meet this challenge. Passage of a properly revised Act would enhance the ability of BXA and the Administration to focus BXA's licensing and enforcement efforts on those exports that present the greatest national security risk, and could streamline or eliminate unnecessary controls that hamper trade without serving U.S. national security or foreign policy interests.

Increase the Effectiveness of Fishery Management

Ensuring healthy stocks of fish and other marine animals in the coastal waters beyond each state's jurisdiction is a Federal responsibility that is carried out principally by the National Oceanic and Atmospheric Administration's (NOAA's) National Marine Fisheries Service (NMFS) and eight regional fishery management councils under the Magnuson-Stevens Fishery Conservation and Management Act of 1976, as amended. NMFS and the councils track the condition of fish and other marine species, determine the levels of catch that will provide the greatest benefit to the Nation, and measure the economic impacts of fishery regulations and policies.

A recent General Accounting Office (GAO) report concluded that NMFS appears to be using the best available scientific information to determine the condition of fish and other marine species, that it appropriately considers the economic impacts of conservation and management measures on fishing communities, and that it has technically met the requirements of the Magnuson-Stevens Act by identifying essential fish habitats and developing a consultative process for addressing potential adverse impacts to those habitats. However, GAO concluded that improvements were needed in

all three areas and made recommendations to strengthen NMFS's data collection efforts, to improve communications between the Government and the fishing industry, to improve economic analysis, and to identify the costs of achieving compliance with the Act's fish habitat provisions.

Alaskan native fisherman

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Improve the Quality and Reliability of Gross Domestic Product Data

Rapid changes in the size and complexity of our economy have created significant measurement problems for the Bureau of Economic Analysis' (BEA) economic accounts, threatening the statistical foundation on which many of the Nation's most important decisions are made. Gross domestic product (GDP), our most important measure of overall economic activity, is a vital ingredient for issues ranging from projected budget surpluses and tax revenues to social security planning, monetary policy, and the allocation of Federal funds to the states. In order to provide a more accurate picture of the economy and a better tool for policymakers, BEA must improve its GDP estimates in a number of key areas, such as in the areas of employee compensation and in assessing high-tech goods and services. We must also upgrade our over-burdened GDP processing system to ensure that GDP estimates continue to be released on time each month.

Continue to Improve the Department's Strategic Planning and Performance Measurement in Accordance with GPRA

Although the Department is progressing toward compliance with the Government Performance and Results Act, we need to achieve more in this evolving process. We recently published our FY 2000 – FY 2005 Strategic Plan and are in the process of preparing a combined FY 2000 APP/ FY 2002 APPR. These documents address previously identified deficiencies by oversight groups. Additionally, we are seeking, for example, to strengthen our data validation and verification processes to ensure that performance measure information is based on reliable and accurate data, and are consequently developing an automated system for tracking performance measures. The system will be web-based for ease of access. We plan to implement this system in FY 2001 and to use it when preparing GPRA reports in FY 2002.

NIST facilities construction design

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NIST Facilities

The combination of age and rapidly advancing technology has made the 30-to-45 year old facilities at the National Institute of Standards and Technology (NIST) inadequate for supporting some types of measurement research essential to the development of demanding new technologies. Many of NIST's buildings do not meet the standards set for them when they were new, let alone the modern standards required for a precision national measurement laboratory. We plan to address this problem with a combination of new construction, major

renovation of existing facilities, and attention to safety, capacity, maintenance, and major repair needs. With the appropriations received so far, NIST has con-

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structed an Advanced Chemical Sciences Laboratory and awarded a contract for construction of an Advanced Measurement Laboratory. Additional funding for facilities support, modern laboratories, and major renovations is still urgently needed.

New Business Model for NTIS

In FY 1999, the Department of Commerce suggested that the Internet might have eliminated the continuing need for the National Technical Information Service (NTIS), which had incurred a cumulative net loss from FY 1995 to FY 1998 of \$4.8 million. Since then, the Department has worked closely with NTIS to absorb excess personnel and to otherwise help NTIS reduce costs, with the objective of achieving fiscal solvency for NTIS so that the agency might be assessed by Congress and the public without a crisis atmosphere affecting that assessment. The Department's efforts have contributed significantly to the financial turnaround at NTIS, which recorded profits of \$.6M in FY 1999 and almost \$2.2M in FY 2000.

Reaction from the information community to the proposed closure of NTIS suggests that there is still a need for a Clearinghouse but that there is also a strong public desire that more Government information be published free on the Internet. The Executive Branch has responded by introducing the "Firstgov" Internet search agent as a way of locating Government Internet pages.

Trade Adjustment Assistance Act Reauthorization

Authorization for the Economic Development Administration's (EDA's) Trade Adjustment Assistance (TAA) Program was extended in November 1999 and will expire on September 30, 2001. Early action is required of the new Congress to avoid a lapse in program authority next year. Most of the assistance provided under the TAA Program is delivered through a national network of 12 Trade Adjustment Assistance Centers (TAACs), funded by EDA to assist trade-injured U.S. manufacturing firms. The TAACs provide three main types of assistance to firms: help in preparing petitions for certification (which must be approved by EDA); analysis of the firm's strengths and weaknesses and development of an adjustment strategy; and in-depth assistance for implementation of the strategy. Assistance in preparing certification petitions is free, but the balance of assistance is cost-shared between the TAA Program and the firm to benefit, with the firm paying at least 25 percent of the cost. During FY 2000, EDA certified 201 firms and accepted a total of 139 adjustment proposals from certified firms.

Successfully Implement USPTO's Transition to a Performance-Oriented Organization

As a performance-oriented organization, the U.S. Patent and Trademark Office (USPTO) has increased authority and responsibility for decisions regarding the management and administration of its operations, and has greater independence

in managing its budget allocations and expenditures, personnel decisions and processes, and procurement operations. The full transition to a performance-oriented organization as envisioned by the legislation is a formidable undertaking, however. USPTO must formulate the necessary personnel, procurement, and administrative policies and develop a performance-oriented process with standards for evaluating cost-effectiveness, and must achieve this while continuing to meet its performance goals under GPRA.

Strengthen Department-Wide Information Security

Protecting the Department's computer systems from cyber attack is a major challenge today and will continue to be so in the future. The number of attacks on our Nation's computer systems has increased dramatically over the last few years and is projected to grow at an even faster rate in the future. The sophistication of these attacks is also growing. As the Department's computer systems have become more widely distributed and interconnected, their vulnerability has also risen, increasing the need to improve procedural and technical security measures. Strong computer security measures are vital to protect the secrecy and privacy of information, the integrity of our computer systems and networks, and the availability of our services to users.

Diversion of USPTO Fee Collections

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Diversion of U.S. Patent and Trademark Office (USPTO) fee collections continues to be a major concern for USPTO as demands for products and services, fueled by the high-tech economy, continue to escalate. USPTO relies solely on user fees for its operations and operates on cost-based accounting, so that the work performed relates directly to fees paid by customers. With patent and trademark workloads increasing, USPTO must make critical investments in information technology systems and reengineered processes. Continued diversion of fees will result in tradeoffs and concessions that focus on current workloads at the expense of future workload processing.

Successfully Implement a Department-Wide Financial Management System

Implementation of the Commerce Administrative Management System is critical as we seek to achieve full compliance with the Federal Managers' Financial Integrity Act and to realize our goal of a single integrated financial management system capable of providing timely, complete, and reliable information. We have made much progress in this endeavor, but full implementation continues to be a challenge. The Department plans to have all of its reporting entities under compliant financial management systems by 2003.

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Successfully Implement Acquisition Reform Initiatives

The Department of Commerce and other Federal agencies are increasingly relying on contractors to provide the goods and services essential to their operations. The Department spends more than \$1 billion each year, about one-quarter of its annual appropriations, on large contracts and simplified acquisitions. The Federal Acquisitions Streamlining Act of 1994 substantially revised Federal procurement law. The act encouraged the use of commercial items, Performance-based service contracting, and past performance as major evaluation criteria for the award of contracts. Although the aim is to promote greater efficiency and procurement uniformity among Government agencies, the General Accounting Office (GAO) recently reported some concerns about the implementation of acquisition reform. The Office of the Inspector General (OIG) has also identified specific problems at the Department. The new emphasis on past performance and performance-oriented service contracting requires a new approach to monitoring contractor performance, including the use of performance-based measurement tools such as earned value and risk management. It also requires that acquisition teams, including the contracting officer and the contracting officer's technical representative, develop specialized skills as business managers. Based on the general concerns expressed by GAO and on the specific concerns identified by the OIG, it is clear that the Department must consider the use of acquisition streamlining initiatives.

BXA's New Export Control Automated Support System

BXA faces the challenge of designing, building, and migrating to a new Export Control Automated Support System. BXA is replacing its aging mainframe licensing and enforcement computer system, designed in 1984. This requires designing and building a customized system that incorporates re-engineered internal and interagency processes. The challenge of this project will touch every facet of BXA's operations, changing the way they do business: Failure to build a new system will adversely impact the efficiency and consistency of licensing and enforcement decisions.

Third-Generation Wireless Communications

The convergence of wireless and Internet technologies is rapidly changing the Internet. The next generation of wireless services—the third generation, or 3G—will place additional demands on the management of the radio frequency spectrum, and will challenge the National Telecommunications and Information Administration's (NTIA's) management of Federal agency use. 3G will be a major factor in the advancement of e-commerce and the growth of Internet-based services, and promises significant benefits for consumers, including enhanced, mobile access to the Internet.

Manage USPTO's Space Requirements and Lease Costs

In June 2000, the General Services Administration (GSA) signed a lease award to LCOR Alexandria, L.L.C., for the U.S. Patent and Trademark Office (USPTO) space consolidation project. The project will see the development of new headquarters offices for the USPTO. GSA awarded the lease after the U.S. District Court dismissed a lawsuit filed by The Charles E. Smith Companies and three Alexandria citizens alleging that GSA failed to comply with the National Environmental Policy Act in selecting USPTO's new location. Following the lease signing, we have scheduled occupancy of the new headquarters in Alexandria to begin in late 2003, with all employees expected to be relocated by the end of 2004. As we seek to meet this timetable, we will continue to monitor project costs, including cost of the building structure, interior build-out, and furniture.

Initiatives and Priorities

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iven the Department's mission, vision, Strategic Goals, and the major issues discussed in the preceding section, the Department has identified the following initiatives and priorities to focus the Department's energies in FY 2001 and beyond:

Expanding E-Commerce: Closing the Digital Divide

This initiative is focused on the goals of providing universal Internet access to businesses and consumers, to ensure that information technologies remain an engine of economic growth for America and to ensure that we close the Digital Divide in America. Specifically, we will focus on bringing online services to those who have yet to participate in or benefit from digital electronic communications. Other major programs will include increasing the number of e-businesses and working to increase online security bridging the Digital Divide.

Fundamentally Redesign ITA's Role in Market Access and Export Promotion

The competitive nature of the global marketplace makes it essential that the International Trade Administration (ITA) continues its efforts to level the playing field for U.S. businesses abroad, in part by helping to remove tariff and nontariff barriers to trade. We are committed to vigorously enforcing U.S. trade laws and to devising and implementing strategies to eliminate market access barriers created by foreign governments under the guise of regulatory standards. We are undertaking bilateral trade promotion activities in Africa, Latin America, the Middle East, and the Caribbean to help U.S. companies develop these markets and to thereby support the economic development of these regions; we are accordingly also helping U.S. companies with market research and market entry strategies into these areas. ITA is additionally redesigning its client-driven and

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international business processes to support the needs of our client base in the new e-business environment. Through the Trade Promotion Coordinating Committee, we are establishing effective leadership in the coordination of Government-wide export promotion activities among 19 member agencies.

Information Technology Investment

Having the capacity to compete successfully in the global marketplace has become a critical challenge for American business and industry, and it equally has become a responsibility of Government. The Department of Commerce—becoming more and more the "Digital Department"—is increasingly turning to information technology (IT) to serve its customers and to conduct its own management functions. The Department has an active agenda of IT activities that includes the following:

- Ensuring efficient and customer-friendly use of IT resources, and ensuring the increasing integration of IT applications in program management and service delivery.
- Increasing the amount of goods and services provided via electronic means.
- Increasing the acquisition and application of shared technology.
- Ensuring that the Department's IT laboratories and related resources continue to make major technological advances.
- Emphasizing grant programs across the Department that provide for economic or other types of local development, based in information technology.

Managing Human Capital as a Strategic Asset

As is true in many federal agencies, the Department of Commerce is facing a very real and far-reaching change in the composition of its workforce, as members of the post-Second World War baby boom begin to retire. This will clearly produce an unprecedented human capital drain on our institutional memory, our capacity to provide mature leadership to the next generation of Departmental employees, and thus on our capability to serve the public and meet our customers' needs.

Our personnel are our primary asset as we seek to accomplish the Department's missions and to serve the American public. To overcome this challenge to the composition of our workforce, we are implementing the following management practices:

- Developing innovative hiring approaches, within statutory and regulatory parameters.
- Nurturing relationships with universities and other learning organizations, including those with diverse student populations, as part of a comprehensive recruitment plan.
- Partnering with universities and other learning organizations to develop Department-specific curricula.
- Identifying and developing high-potential employees at all levels, by sup

porting individual development planning as a tool for building personal skills and by developing a Department-wide mid-level management development program and a revised Senior Executive Service candidate development program.

- Strengthening leadership capabilities through systematic development and mobility.
- Working collaboratively with employee organizations, developing employeeoriented programs to enhance the workplace culture and increase retention of employees.
- Identifying diversity under-representation in critical professional series to help target recruitment and retention priorities.

Improving the Nation's Statistical Infrastructure

Spearheaded by the Bureau of Economic Analysis (BEA), this plan aims to improve the quality and timeliness of the information we deliver to businesses and policymakers and to provide an accurate measure of the effect of technology on the economy. In order to produce a more comprehensive picture of the economy, we will work to resolve measurement discrepancies due to changes in the economy and incomplete or obsolete data by expanding and updating the coverage of key areas, including rapidly evolving industries. In addition, we will upgrade BEA's information delivery system by redesigning our Internet site and bringing it up to business standards.

Disaster Assistance for Hurricane Floyd

EDA works closely with the Federal Emergency Management Agency (FEMA) to coordinate Federal assistance at the state and local levels in response to major disasters. During FY 2000, EDA provided assistance in response to severe damage inflicted by Hurricane Floyd on local communities and businesses along the Eastern seaboard. EDA field staff worked with FEMA and SBA at emergency response centers to assist community leaders and businesses in obtaining immediate disaster assistance. EDA also sponsored economic impact assessments to determine the longer-term impacts on state and local economies.

On July 13, 2000, Congress approved \$55.8 million in supplemental funding for EDA to assist State and local economic recovery efforts in response to Hurricane Floyd and other recent disasters. EDA's Atlanta and Philadelphia regional offices are working with state and local officials to restore economic vitality and employment in highly distressed communities in North Carolina, New Jersey, Virginia, and other states with federally-declared disaster areas.

Valuing the Dynamics of Diversity

We are continuing our efforts to champion diversity, both within the Department and when serving our customers. Plans relating to this effort include efforts to build capacity through continuing partnerships with institutions that serve

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minority groups; promoting and making use of welfare-to-work programs; pursuing an Hispanic employment initiative; working collaboratively with employee organizations; supporting the individual development planning process as a tool for building personal skills and fostering organizational development and flexibility; developing a Department-wide mid-level management development program and improving our Senior Executive Service candidate development program; and improving our Department Diversity Council.

Continuing Success with Environmental Issues/Natural Resources

Through the National Oceanic and Atmospheric Administration (NOAA), the Department plans to expand its range of programs that seek to increase our knowledge and understanding of the land, water, and air. Specifically, our goals are to reduce the cost of natural disasters, to provide timely information about seasonal climate patterns, to promote new scientific insight into the oceans, and to reduce overfishing and build sustainable use of coastal and marine resources, including the National Marine Sanctuaries, as part of the Administration's Land Legacy initiative.

Leverage E-Commerce for Product Development and Service Delivery

The shift to e-commerce over the Internet has shattered existing economic paradigms. The International Trade Administration (ITA) is accordingly seeking to provide e-commerce export facilitation tools to new and existing clients, to create new e-commerce services, and to promote the U.S. information technology industry worldwide. Our methods to broadcast our message include the use of virtual trade shows, live videoconferences, and face-to-face meetings with prospective buyers and business partners. We are also seeking to promote a complementary portal site directed at international buyers and to increase jointly managed sessions with small and medium-sized enterprises to raise understanding of the dynamics of international e-commerce, and we are working to identify industry sectors best-positioned to take advantage of e-commerce opportunities. We aim to use technology to accelerate customer and service staff access to information by delivering information on the Internet customizable according to exporter needs, by ensuring ease of use, and by developing clear and rational points of customer contact.

Promote Open Markets and Encourage Competition

Through its domestic policy activities, NTIA is emphasizing the implementation of the Telecommunications Act of 1996 as Congress intended, opening the door to increased competition at both the long-distance and local level for the long-term benefit of both consumers and industry. Broadband services, e-commerce, and Internet taxes are examples of the issues NTIA is addressing.

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Internationally NTIA is promoting pro-competitive U.S. policies, including regulatory reform and technical policies related to advanced technologies and the Internet. These activities will improve the international competitiveness of the U.S. business and consumers to have access to high-quality, reasonably-priced international services.